



PUBLIC NOTICE

Federal Communications Commission
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Washington, D.C. 20554

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DA 06-488
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GVNW REQUEST FOR CLARIFICATION CONCERNING THE APPROPRIATE ACCOUNTING TREATMENT OF KEY MAN INSURANCE

PLEADING CYCLE ESTABLISHED

WCB/Pricing 06-11

COMMENTS: March 21, 2006

REPLY COMMENTS: March 31, 2006

On November 21, 2005, GVNW filed a letter seeking a clarification that the cost of commercial life insurance purchased by a telephone company to protect the company against the death of an employee or director is properly accounted for in Account 6720, General and Administrative, 47 C.F.R. 32.6720. These insurance policies, sometimes referred to as “key man” insurance, have a variety of uses in the business world, e.g., providing for future employee benefits, funding estate or inheritance tax obligations, funding the buy-out of an ownership interest. Key man insurance was not specifically addressed in *Responsible Accounting Officer Letter No. 7, Part 32, Uniform System of Accounts for Class A and Class B Carriers – Questions and Answers* (issued July 1, 1987). To develop a record to permit the Commission to respond to the clarification request, we ask interested parties to comment on the following specific issues.

We invite interested parties to identify the various purposes for which key man insurance is used by telephone companies in order to provide a foundation for determining the appropriate accounting treatment. We ask parties to specify how those costs and the insurance proceeds are currently recorded on the regulatory accounting books. For each of the uses of key man insurance that a party identifies, it should discuss the appropriate ratemaking treatment for such use (including what would constitute a reasonable level of coverage), with special attention to (1) the extent to which the proceeds of the insurance policy will benefit either ratepayer or corporate interests and (2) whether the insurance premiums would result in two separate charges being included in ratemaking for the same activity. We also ask parties to address the effect, if any, that ratemaking treatment should have on accounting treatment of such costs. In this connection, parties are asked to discuss which key man insurance costs, if any, should be recorded in section 32.7300, Nonoperating Income and Expense. That section provides that the account is to be used “to record the results of transactions, events and circumstances affecting the company [that] are not operational in nature.” 47 C.F.R. 32.7300. This issue is of primary importance to rate-of-return local exchange carriers because it has ratemaking implications for them. We therefore request the National Exchange Carrier Association, Inc., to discuss its treatment of key man insurance costs as the administrator of the interstate pooling and tariffing process for many rate-of-return carriers.

Interested parties may file comments on or before March 21, 2006. Reply comments may be filed on or before March 31, 2006. All such filings shall refer to the internal file number: **WCB/Pricing 06-11**. Comments in this proceeding may not be filed using the Commission's Electronic Comment Filing System (ECFS).

Interested parties should file an original and four copies of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, commenters must submit two additional copies for each additional docket or rulemaking number.

Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although we continue to experience delays in receiving U.S. Postal Service mail).

The Commission's contractor, Natek, Inc. will receive hand-delivered or messenger-delivered paper filings for the Commission's Secretary at 236 Massachusetts Avenue, N.E., Suite 110, Washington, D.C. 20002.

- The filing hours at this location are 8:00 a.m. to 7:00 p.m.
- All hand deliveries must be held together with rubber bands or fasteners.
- Any envelopes must be disposed of before entering the building.
- Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743.
- U.S. Postal Service first-class mail, Express Mail, and Priority Mail should be addressed to 445 12th Street, SW, Washington, D.C. 20554.
- All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

Three (3) copies of the comments and reply comments should also be sent to the Pricing Policy Division, Wireline Competition Bureau, 445 12th Street, SW, Room 5-A361, Washington, D.C. 20554, Attn: Douglas Slotten. Parties shall e-mail one copy to Douglas.slotten@fcc.gov. Parties shall also serve one copy with Best Copy and Printing, Inc., Portals II, 445 12th Street, SW, Room CY-B402, Washington, D.C. 20554, (202) 488-5300, or via e-mail to fcc@bcpiweb.com.

Documents in this proceeding are available for public inspection and copying during business hours in the FCC Reference Information Center, Portals II, 445 12th Street SW, Room CY-A257, Washington, D.C. 20554. The documents may also be purchased from Best Copy and Printing, Inc., telephone (202) 488-5300, facsimile (202) 488-5563, TTY (202) 488-5562, fcc@bcpiweb.com.

Accessible formats (computer diskettes, large print, audio recording and Braille) are available to persons with disabilities by contacting the Consumer & Governmental Affairs Bureau, at (202) 418-0531, TTY (202) 418-7365, or at [<fcc504@fcc.gov>](mailto:fcc504@fcc.gov).

This matter shall be treated as a "permit-but-disclose" proceeding in accordance with the Commission's *ex parte* rules.¹ Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentations must contain summaries of the substance of the presentations and not merely a listing of the subjects discussed. More than a one- or two-sentence description of the views and arguments presented is generally required.² Other rules pertaining to oral and written *ex parte*

¹ See 47 C.F.R. §§ 1.1200, 1.1206.

² See 47 C.F.R. § 1.1206(b).

presentations in permit-but-disclose proceedings are set forth in section 1.1206(b) of the Commission's rules.³

For further information, contact Douglas Slotten, Pricing Policy Division, Wireline Competition Bureau, (202) 418-1572.

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³ 47 C.F.R. § 1.1206(b).